

Los Angeles Times | BUSINESS

LOCAL U.S. WORLD BUSINESS SPORTS ENTERTAINMENT HEALTH LIVING TRAVEL OPINION MORE

MONEY & CO. TECHNOLOGY PERSONAL FINANCE SMALL BUSINESS COMPANY TOWN JOBS REAL ESTATE CARS

IN THE NEWS: [DINO DE LAURENTIIS](#) | [VETERANS DAY](#) | [CMA AWARDS 2010](#) | [G-20 SUMMIT](#) | [DISABLED CRUISE SHIP](#) | [CAL STATE TUITION](#)

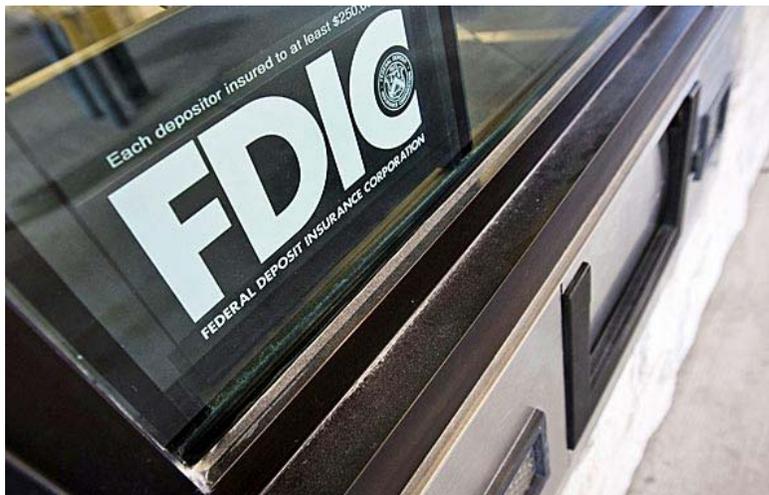


Low mileage lease example for qualified lessees
\$199 for **39** plus **\$1,999**
 /month /months Due at Signing
 No security deposit required. Mileage charge of \$.20/mile over 39,000 miles. Tax, title, license, and dealer fees extra. Your payments may vary.
[LEARN MORE](#)

At participating dealers only. Example based on survey. Each dealer sets its own price. Payments are for a 2011 Malibu LS with an MSRP of \$22,695. 39 monthly payments total \$7,779. Cost to purchase at lease end for an amount to be determined at lease signing. Ally Financial Inc. must approve lease. Lessee pays for excess wear. Not available with other offers. Residency restrictions apply. Take delivery by 12/31/11.

FDIC prepares to crack down on officials of failed banks

Dozens of former officers and directors are advised to work out settlements or face legal action for their alleged misdeeds during the financial crisis.



The FDIC warns bank officials that it's time to sit down and work out settlements in fraud and breach of fiduciary duty cases, or head to court to decide the matters there. (Patrick Fallon / Bloomberg)

as of 12:46PM ET 11/11/2010

DJIA	11261.57 -95.47
NASDAQ	2549.45 -29.33
S&P500	1210.13 -8.58

QUOTE:

advertisement

Can you afford to retire?
 Find out how with a free 30 minute consultation.
[Get Started](#)

Ameriprise Financial MORE WITHIN REACH
 Ameriprise Financial Services, Inc. Member FINRA

68 20 tweets 0

By E. Scott Reckard, Los Angeles Times
November 10, 2010 | 9:38 p.m.

[E-mail](#) [Print](#) [Share](#) [Text Size](#)

68 people like this.



For former insiders at some of the several hundred banks that collapsed during the financial crisis and in its aftermath, a day of reckoning has arrived.

The Federal Deposit Insurance Corp. has told dozens of former bank officers and directors that it has drawn up lawsuits accusing them of misdeeds such as fraud and breach of fiduciary duty. The federal agency is seeking damages to help offset losses in the nation's deposit insurance fund.

It's time, the FDIC warns these officials, to sit down and work out settlements — or head to court to decide the matters there.

[Get a daily snapshot of market numbers and trends, delivered](#)

- RELATED
-  Obama defends Fed's steps to aid U.S. economy
 -  Fed to buy \$600 billion in T-bonds to prod economic growth
 -  To fix the economy, let bad banks die
- STORIES
-  Fannie Mae, Freddie Mac bailouts could hit \$363 billion, report says
 -  Bank of America ends

The Latest | NEWS AS IT HAPPENS

Veterans Day events around the region - *L.A. Now* 11/11/2010, 9:29 a.m.

Consumer Confidential: Free shipping from Wal-Mart; Honda Accord is safest. GM models not so much - *Money & Company* 11/11/2010, 9:23 a.m.

Relatives anxiously await landing of disabled cruise ship in San Diego - *L.A. Now* 11/11/2010, 9:15 a.m.

Disappointing Cisco outlook sinks stocks - *L.A. Times - Business* 11/11/2010, 9:09 a.m.

Mortgage rates sink to record lows again, Freddie Mac says - *Money & Company* 11/11/2010, 9:05 a.m.

Save. Share. Connect.

[RSS](#) [Twitter](#) [Facebook](#) [Mobile](#) [Alerts](#)

freeze on foreclosures
in 23 states

[right to your mobile phone. Text BUSINESS to 52669.](#)

ADS BY GOOGLE

Investigate Company Fraud
Stay Ahead Of New Fraud Patterns.
Sign Up For A Free Risk
Assessment.
www.LexisNexis.com/FraudPoint

Credit Fraud Prevention
Including Technology Featured On
CNN, Dateline & Fox News. Join
Now!
www.TraceMyID.com/Credit-Card-Fraud

3-Bureau Credit Report
Absolutely Free Credit Scores From
All 3 Bureaus Instantly!
FreeScore.com/Free-Credit-Scores

The letters being sent by the agency are "very detailed," said Jeffrey A. Tisdale, a Los Angeles lawyer for former officials of five banks targeted by the agency.

"I mean eight to 10 single-spaced pages of purported misdeeds," he said.

The showdowns follow FDIC probes that typically take well over a year.

"We're only doing this after careful investigation. We don't bring suit every time a bank fails," said Richard Osterman, the FDIC's acting general counsel.

The FDIC board has authorized suits seeking to recover more than \$2 billion from more than 80 former bank officials, up

from about 50 a month ago, Osterman said. The number could multiply as the agency works through its investigative backlog.

The agency could end up suing or settling with former insiders of about one-quarter of the more than 300 banks that have failed since the start of 2008, officials say.

"This is only the first wave," Tisdale said. "I've got my next five-year professional plan laid out pretty well."

Although the FDIC says it will try to settle the cases, officials expect to file a significant number of suits. Criminal charges could result in a few cases.

"We are investigating [criminal] bank fraud and related cases in many different parts of the country, including in California," said Fred Gibson, deputy inspector general at the agency.

So far only two civil suits have been filed. The first, filed in July, accuses four executives of Pasadena's defunct IndyMac Bank of negligence in granting construction and development loans that the suit says were unlikely to be repaid. The defendants are contesting the suit, which seeks \$300 million in damages.

Last week, the FDIC sued 11 former insiders at defunct Heritage Community Bank in Glenwood, Ill. Calling the case "regrettable and wrong," defense lawyers said in a statement that their clients, in failing to foresee the economic meltdown, were no different from Wall Street and the FDIC itself.

Tisdale concurs that the FDIC is going after people for failing to accurately predict the future.

"The economy is the real culprit here," he said. "There was no way to plan for real estate values dropping 30% to 50% throughout California, Nevada and Arizona."

But Darren Robbins, a San Diego lawyer who specializes in filing investment fraud suits, says the FDIC has plenty to work with just by looking at what banks said about their assets toward the end of the boom.

"It's our belief that in places like Illinois, Georgia, California and Arizona there was an inordinate amount of game-playing with financial statements in '07 and '08," said Robbins, whose firm has fraud suits pending against several casualties of the bust, including PFF Bancorp, the former parent company of Pomona's PFF Bank & Trust, which failed in November 2008.

In targeting the former officials, the FDIC typically also has its eyes on insurance companies that would be on the hook for damages stemming from alleged misconduct by the bankers. In many cases, the FDIC formally gave notice of possible litigation months ago, just before the expiration of the relevant insurance policies, to ensure that the coverage would apply.

Some policies covering directors and officers don't apply to actions by the FDIC. In such cases, the agency is going after bank officials only if they have sufficient assets to justify the expense and risk of litigation, Osterman said.

The FDIC's litigation strategy borrows from a playbook the agency used after the savings and loan meltdown of about two decades ago. From 1986 through 1996 the FDIC recovered \$5.1 billion from

Disabled cruise ship pulls into San Diego Harbor

Fast Track: Miranda Lambert's big night at CMAs

If you build it, San Diego, will those cruise passengers come?

Traffic on Bay Bridge into San Francisco shut down during armed standoff

Italian filmmaker Dino De Laurentiis dies at 91

U.S. fails to reach free-trade pact with South Korea

Foodies in the midst of Hollywood, on the fringe of cuisine

Hotel manager doesn't want to check out of the hospitality industry

Cal State trustees approve 15% tuition increase

Bush plays defense

Miles that
pay for
hotels and
car rentals.

Get the Business Daily Newsletter



The latest in daily financial news, closing stock market quotes and technology trends delivered right to your inbox.

See a sample | Sign up

former insiders at failed banks and savings and loans, Osterman said. That's a small fraction of the eventual cost of the S&L crisis.

scott.reckard@latimes.com

Copyright © 2010, Los Angeles Times

ADS BY GOOGLE

Identity Fraud Protection

Protect Your Identity from Fraud with AllClear ID. Sign up for Free!
AllClearID.debit.com

Internet Scams

Tips To Avoid Internet Scams. The Latest Hot Topics!
LifeScript.com

Bank of America® Cards

With \$0 Liability Guarantee, You're Not Responsible For Fraud Charges.
www.BankOfAmerica.com/Solutions

E-mail Print Digg Twitter Facebook Read This Later Share

Graphic Cigarette Warnings »



Warning labels will cover more of a cigarette pack, and feature images that strongly warn of the dangers. **Photos:** Proposed anti-smoking labels

Skid Row Community Garden »



With the help of master gardeners Anne Hars and Maggie Lobl, the first fall crop will be going in.

Comments (8)

[Add / View comments](#) | [Discussion FAQ](#)

NoHopeLeft at 5:26 AM November 11, 2010

They got my children's home. I want there puss pukes to have a nice Thanksgiving. Think about the families they have devastated through their actions.

Bankers, shame...

ErwinRuiz at 11:52 PM November 10, 2010

A day of reckoning is coming.

mr. gittes at 11:48 PM November 10, 2010

"Tisdale, a Los Angeles lawyer for former officials of five banks targeted by the agency."

Oops, my bad...NOW it makes sense...

Comments are filtered for language and registration is required. The Times makes no guarantee of comments' factual accuracy. Readers may report inappropriate comments by clicking the Report Abuse link. Here are the full legal terms you agree to by using this comment form.



Enjoy more stories like this for only \$1 a week. Click here to order The Times.

In Case You Missed It...



Cold War bachelor pad that knew how to swing



Brain training appears to make older drivers safer



Comparing 'Planes, Trains & Automobiles' and 'Due Date'



How I Made It: Real estate agent Brooke Knapp



Fashion Diary: Lanvin for H&M | [Photos](#)

Trusted Email Marketing

iContact

[Horoscopes](#)

[LATMG Media Kit](#)

[Events](#)

[About Us](#)

[Site Map](#)

[Contact Us](#) | [Help](#)

Los Angeles Times

[Coastline Pilot](#) | [Daily Pilot](#) | [Huntington Beach Independent](#) | [Valley Sun](#) | [Burbank Leader](#) | [News Press](#) | [KTLA](#) | [Hoy](#) | [Brand X](#) | [LA, Los Angeles Times](#) | [Baltimore Sun](#) | [Chicago Tribune](#) | [Daily Press](#) | [Hartford Courant](#) | [Los Angeles Times](#) | [Orlando Sentinel](#) | [Sun Sentinel](#) | [The Morning Call](#)



[Terms of Service](#) | [Privacy Policy](#) | Los Angeles Times, 202 West 1st Street, Los Angeles, California, 90012 | Copyright 2010

A Tribune Newspaper website